Banister Continental Ltd.
1976 Annual Report

Contents

Cover:

The cover photograph is a reproduction of "River Crossing", by painter Daniel Izzard, one of a series of paintings commissioned by Banister as a Canadian Centennial project in 1967. The painting, named after the operation which it depicts, portrays one of the most critical and delicate operations in the construction of a pipeline.

The Banister Collection of paintings serves to maintain a permanent record of the vital contribution the pipeline industry makes to Canada's industrial progress, and to introduce the work of Canadian artists to the public.

Photo on page 1
An artistic view of stockpiled pipe waiting to be installed in a major pipeline system.

Foreword

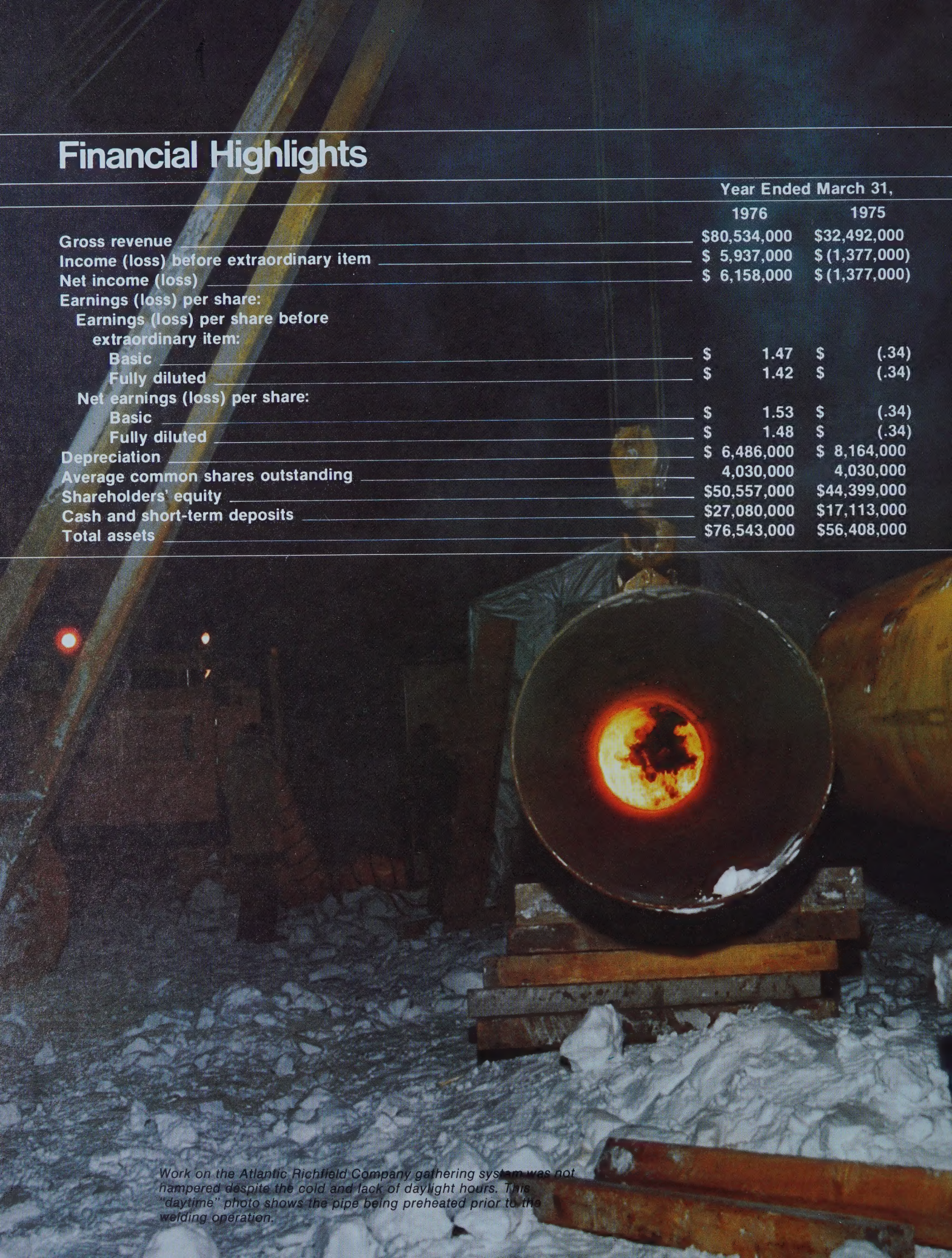
Banister Continental Ltd.'s principal source of revenue is derived from the pipeline construction industry in Canada, Alaska and the Middle East.

Through various subsidiaries and affiliated companies, the Company is also involved in seismic surveys, pipeline construction planning and engineering, computer leasing, and engineering and construction management of underground hydrocarbon storage facilities. These activities are elaborated upon further in this report. For ease of reference, the corporate organization chart is provided on page 3.

As a pipeline contractor, the Company will normally clear and grade the pipeline right-of-way, off load and stockpile the pipe, transport it to the right-of-way and string it preparatory to welding. A ditch is then dug with trenching machines and backhoes, and the pipe is bent, lined up, welded, cleaned, coated, wrapped and lowered into the trench. The trench is then backfilled and the right-of-way cleaned up. The complete pipeline is then pressure tested, using a hydrostatic or pneumatic test medium. The Company also installs pipeline river crossings and tests and upgrades existing pipelines.

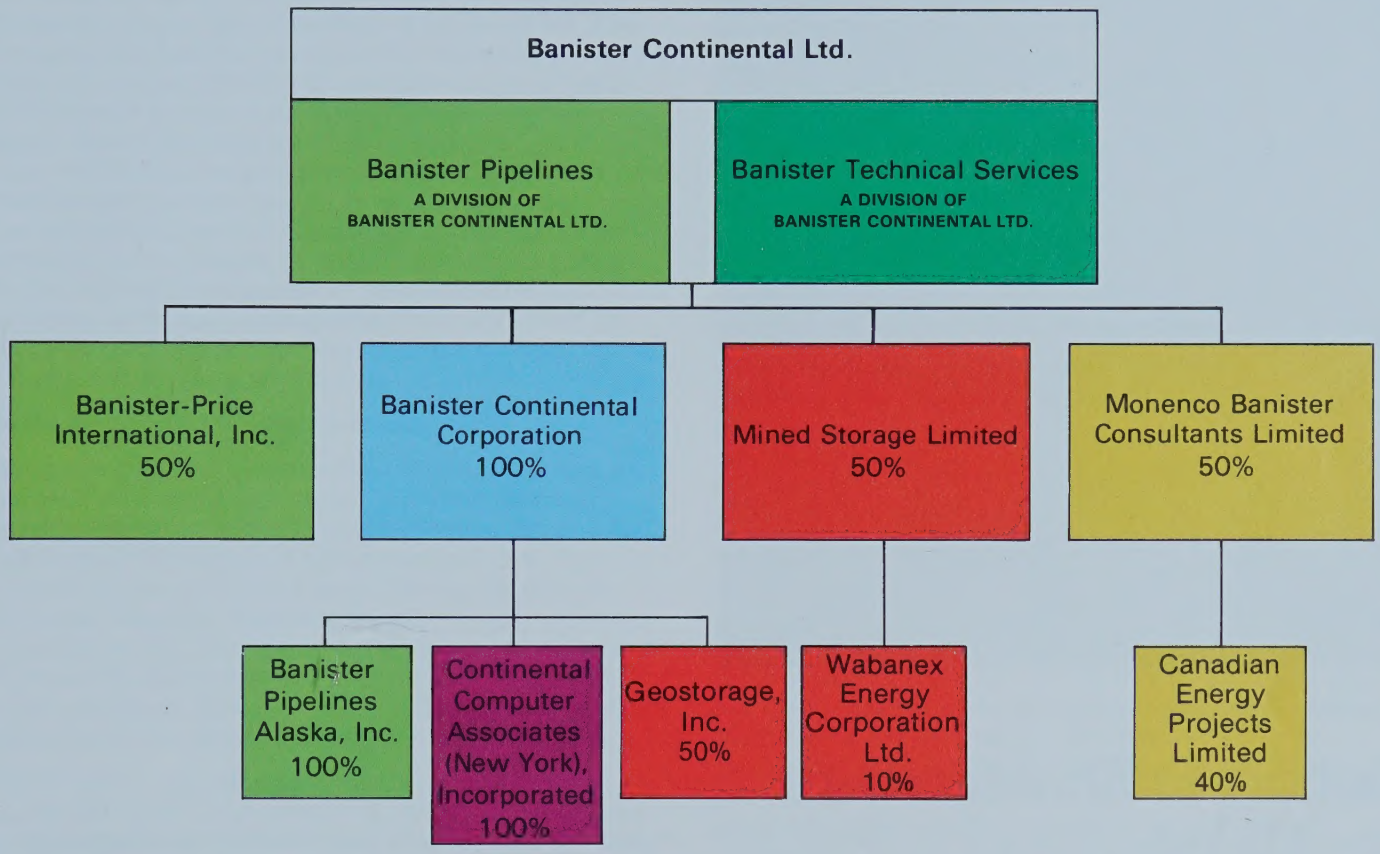
Financial Highlights

	Year Ended March 31, 1976	Year Ended March 31, 1975
Gross revenue	$80,534,000	$32,492,000
Income (loss) before extraordinary item	$ 5,937,000	$ (1,377,000)
Net income (loss)	$ 6,158,000	$ (1,377,000)
Earnings (loss) per share:		
Earnings (loss) per share before extraordinary item:		
Basic	$ 1.47	$ (.34)
Fully diluted	$ 1.42	$ (.34)
Net earnings (loss) per share:		
Basic	$ 1.53	$ (.34)
Fully diluted	$ 1.48	$ (.34)
Depreciation	$ 6,486,000	$ 8,164,000
Average common shares outstanding	4,030,000	4,030,000
Shareholders' equity	$50,557,000	$44,399,000
Cash and short-term deposits	$27,080,000	$17,113,000
Total assets	$76,543,000	$56,408,000



Work on the Atlantic Richfield Company gathering system was not hampered despite the cold and lack of daylight hours. This "daytime" photo shows the pipe being preheated prior to the welding operation.

The Banister Group of Companies



Pipeline Construction

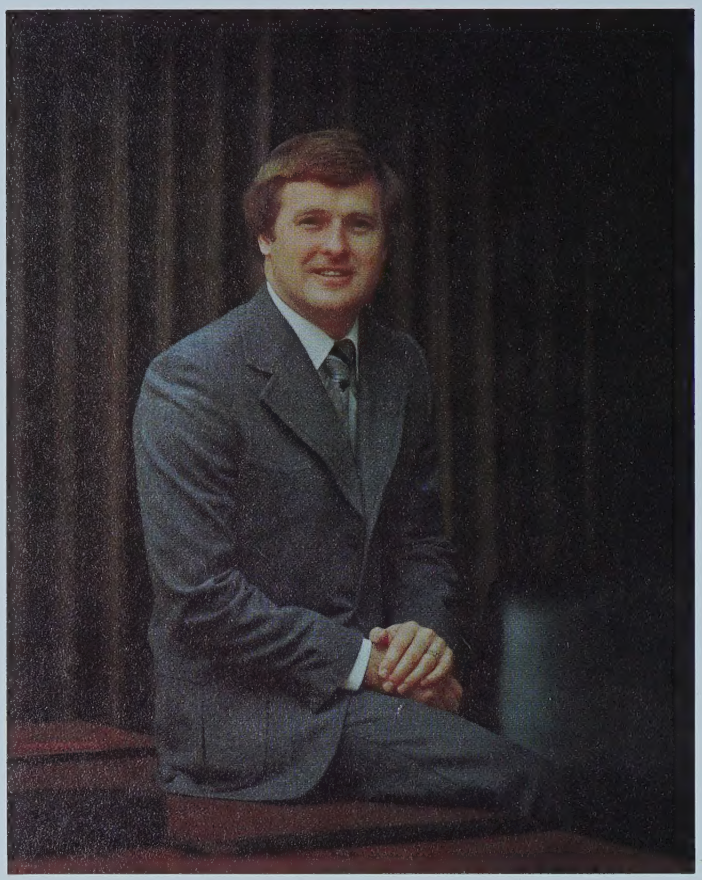
Underground Storage Facilities
(engineering and construction management)

Engineering and/or Construction
Management Services

Holding

Leasing

Seismic Services



Rodger T. Banister
President and Chairman of the Board

Report to Shareholders

Fiscal 1976 marked a turning point for Banister. The diversification program commenced in fiscal 1974, along with an increase in the number of Canadian pipeline construction projects available, produced record revenues of $80,534,000 this year. This was a substantial increase of 148 percent over fiscal 1975's revenues of $32,492,000. Due to the extremely competitive situation over the last two years in the Canadian pipeline construction industry, profit margins have been dropping and, as a result, net income generated from this year's work did not increase in direct proportion to our revenue increase. We still, however, managed our second best year in history with an income before an extraordinary item of $5,937,000 or $1.47 per share ($1.42 per share fully diluted), versus a loss of $1,377,000 or $0.34 per share for fiscal 1975. After the extraordinary item, net income in fiscal 1976 rose to $6,158,000 or $1.53 per share ($1.48 per share fully diluted).

Besides record revenues in fiscal 1976, other records the Company achieved were: total assets reached $76,543,000, shareholders' equity rose to $50,557,000 or $12.55 per share, and the Company's year end working capital position reached $24,343,000.

Fiscal 1976 was also a year in which more than 50 percent of our consolidated revenue and net income was generated outside of Canada. Banister's diversification program was thus successful in shifting a large portion of our revenues to geographical areas other than Canada, reducing our vulnerability to the uncertainties of the Canadian pipeline construction industry. We feel our diversification program has gone a long way towards stabilizing our revenue and income base without affecting either our ability to conduct work in Canada or our highly liquid financial position.

With the substantial cash position and overall financial strength of Banister, which we are hopeful of using to further diversify in fiscal 1977, operating results in the future should continue to improve. Many major managerial changes were made in fiscal 1976 which have strengthened Banister considerably, and we are now in a position to seek opportunities that will more effectively utilize our total asset base.

To better reflect the increasing scope of our international operations, which are conducted mainly through joint ventures, the Company decided in

December, 1975, to change its accounting method from the "Equity" method of accounting, under which revenues of joint ventures in which Banister has a 50 percent or less interest are not consolidated, to the "Proportionate Consolidation" (Line-by-Line) method of accounting, under which Banister consolidates its proportionate share of revenues, expenses, assets and liabilities of all its active joint ventures. We feel the change in the accounting method more accurately reflects the economic activities of the Banister group of companies. The numbers above reflect the new method of reporting, and fiscal 1975's figures have been restated under this new method for comparative purposes. The Proportionate Consolidation method is an appropriate method of accounting in Canada, where a substantial portion of a company's operations is conducted through joint ventures, and your management has approved its adoption as we feel it provides more meaningful information to our shareholders.

North American Pipeline Construction

Canadian pipeline construction projects completed last year marked a significant increase over the number of projects constructed in fiscal 1975. This was largely the result of the Interprovincial Pipe Line Limited crude oil project from Sarnia, Ontario to Montreal, Quebec. Banister Pipelines was fortunate in participating, directly and through a joint venture, in about 35 percent of the entire pipeline project. Minor clean-up operations are still underway and are expected to be completed shortly.

The Division was also awarded, and completed during the year, 113 miles of a 24- and 30-inch gas line for The Alberta Gas Trunk Line Company Limited in Alberta; several upgrading and pipe replacement contracts for TransCanada PipeLines Limited in Ontario; and 47 miles of a 6-inch to 16-inch crude oil pipeline for Westcoast Transmission Company Limited in British Columbia.

In Alaska, Banister Pipelines Alaska, Incorporated had crews working all winter on the North Slope in connection with their 85 percent owned joint venture contract involving the construction of an oil gathering system for The Ralph M. Parsons Company acting as construction manager on behalf of Atlantic Richfield Company. The original construction schedule has been accelerated, and it appears the contract should now be completed in fiscal 1977.

Middle East Pipeline Construction

Banister-Price International, Inc., our 50 percent owned Company which operates in the Middle East, completed several contracts in Iraq in fiscal 1976. It is presently working on the major 212-mile, 40-inch crude oil pipeline from northeastern Iraq to the Turkish border, which was announced in last year's Annual Report. Work is progressing well, and the Company expects to have this contract substantially completed by October of 1976, ahead of the original schedule. We are optimistic about the pipeline construction opportunities available in Iraq and other Middle East countries. As our experience and record of achievement grows, Banister-Price International, Inc. will expand its operations when suitable opportunities present themselves. The management of Banister-Price is to be commended for the excellent initial operating results of this new company.

Computer Leasing

Continental Computer Associates (New York), Incorporated, our computer leasing subsidiary, experienced a favourable turn around situation in fiscal 1976. We now project that CCAI will provide modest earnings to Banister in fiscal 1977 and beyond. This is a welcome relief from the extra depreciation taken by Banister over the last few years. Substantial cash flow contributions to Banister by this subsidiary are continuing and we are confident of the continued viability of this operation.

Underground Hydrocarbon Storage

Mined Storage Limited, a company 50 percent owned by Banister and Société Française de Stockage Geologique, (GEOSTOCK), of France, experienced several management and other organizational changes last year. Unfortunately the 4.8 million barrel underground storage facility project awarded to Mined Storage Limited in 1975 was postponed. The entire Wesleyville, Ontario Power project, of which the underground storage facility is a part, was deferred due to economic restrictions placed on Ontario Hydro by the Ontario Government.

In March of 1976 Mined Storage Limited signed an agreement with Power Corporation of Canada Limited and others pursuant to which Mined Storage Limited will have a 10 percent equity in Wabanex Energy Corporation Ltd. Wabanex has been granted an exclusive license by the Government of Newfoundland to assess the commercial and technical feasibility of developing the abandoned Wabana iron mine on Bell Island, Newfoundland, into an underground storage and transshipment terminal for up to 90 million barrels of hydrocarbons. Should the feasibility studies prove the facility is viable, Wabanex plans to convert, own and operate the facility, which would then be the only major underground storage facility available at a deep water port on the entire eastern coast of North America. Mined Storage Limited is also investigating several other projects in Canada and is confident it will play a major role in this rapidly expanding industry.

Banister, again with Geostock, is now forming another company, Geostorage, Inc., the American

counterpart of Mined Storage Limited, based in Washington, D.C. This company, which will be 50 percent owned by Banister, will be formed to investigate, own and operate undergound storage facilities in the United States.

Recently the United States Federal Energy Administration (FEA) announced a strategic storage program wherein the initial stage provides for creation of approximately 150 million barrels of crude oil storage throughout the United States by December 1978. This program was formulated as a result of the OPEC oil embargo, and was designed to allow the United States Government to eventually have up to six months strategic crude oil reserves available in the event of another prolonged oil embargo. Geostorage hopes to play a role in this massive new program.

Special Projects

Banister, in its diversification program, has become involved in several new ventures announced last year.

BANISTER TECHNICAL SERVICES

This division was awarded a contract last year by the Canadian Government, Department of Supply and Services, for the development and testing of a high speed shallow seismic survey system and vehicle for use on the Arctic Ice Fields. These tests were carried out in the Arctic Archipelago Islands implementing the Banister-developed echo sounding survey system, trademarked the "Bancqes System". The field part of this program was successfully performed on schedule. The analysis of the data acquired is now taking place at Banister's Edmonton computer facility.

MONENCO BANISTER CONSULTANTS LIMITED

This company, formed last year, is equally owned by Banister and Monenco Limited, parent of Montreal Engineering Company, Limited, for construction planning and engineering of pipeline projects worldwide. Monenco Banister Consultants expanded their staff significantly in fiscal 1976, and recently opened an office in Calgary, Alberta in addition to their head offices in Montreal, Quebec. Monenco Banister Consultants is presently working on feasibility and construction planning contracts for major Arctic pipeline projects. Penetrating the market in this very technical area is a most difficult task, however, we are pleased with the results to date and look forward to the day when this affiliate's operations will be conducted worldwide.

CANADIAN ENERGY PROJECTS LIMITED (FORMERLY CONCANAL LIMITED)

This Canadian five-member consortium, which initially concentrated on hydrocarbon engineering opportunities within Algeria, has recently decided to pursue projects in the Canadian high Arctic. Banister's 20 percent equity in this company was merged into Monenco Banister Consultants Limited last year, as was the 20 percent interest owned by Monenco Limited, thus giving Monenco Banister Consultants Limited a 40 percent interest in this company. Canadian Energy Projects Limited is actively seeking work on projects relating to engineering and construction of gas processing plants. Several major plants have recently been announced for construction in the high Arctic. There were two projects undertaken in Algeria by this affiliate which are for the most part complete.

Future

Banister is in a strong financial condition. As mentioned earlier several major managerial and organizational changes were made in fiscal 1976, including the election of a new President and Chief Executive Officer of Banister Continental Ltd. in June, 1975, and the creation of a Corporate Planning and Business Development department in early 1976. We are now well underway in our diversification program and are optimistic that results in the future will continue to improve. Utilizing the financial strength of Banister more efficiently will be a major challenge. Expansion and acquisition possibilities which we are looking into include equity ownership of underground hydrocarbon storage facilities, methods of commercially exploiting the Arctic Ditcher that Banister has developed (see page 31), expansion of our Arctic seismic and survey expertise and expansion of our construction planning and engineering capabilities worldwide. We also intend to continue our program of reorganizing our divisions, subsidiaries, and affiliated companies into what we feel will be more efficient organizations.

Acknowledgements

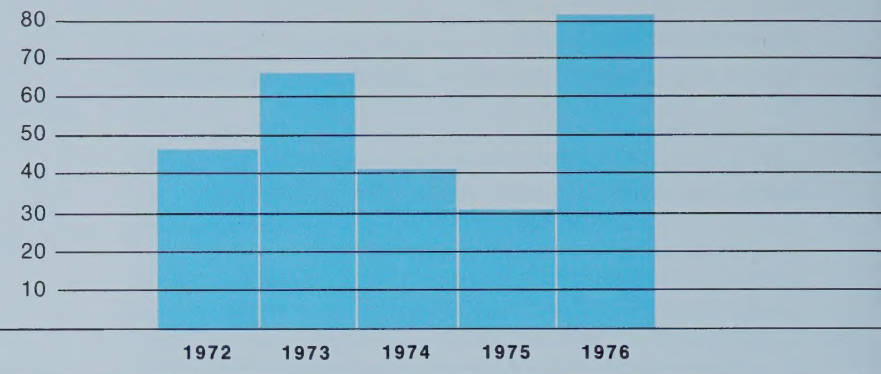
A new President often has a difficult time breaking into his new position due to established protocol and traditions which make each and every company unique unto itself. This has not been the situation in my case. The enthusiastic support I have received from virtually all employees, and especially from our senior management and Directors, has been most gratifying to me. It has made my job easier to perform and the support given to me and the dedication of our employees to the Company has been sincerely appreciated. The outlook for Banister is unlimited, and I look forward to the future with much enthusiasm.

R.T. Banister
President and Chairman of the Board
May 19, 1976

Revenues

(Millions of dollars)

1972	1973	1974	1975	1976
48.227	66.341	40.623	32.492	80.534



Net Income (Loss)

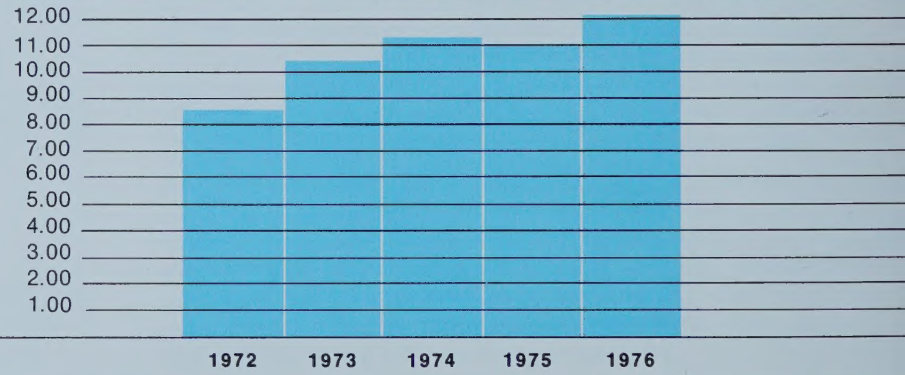
(Millions of dollars)

1972	1973	1974	1975	1976
4.450	7.679	2.842	(1.377)	6.158

Equity per Common Share outstanding at year end

(Dollars)

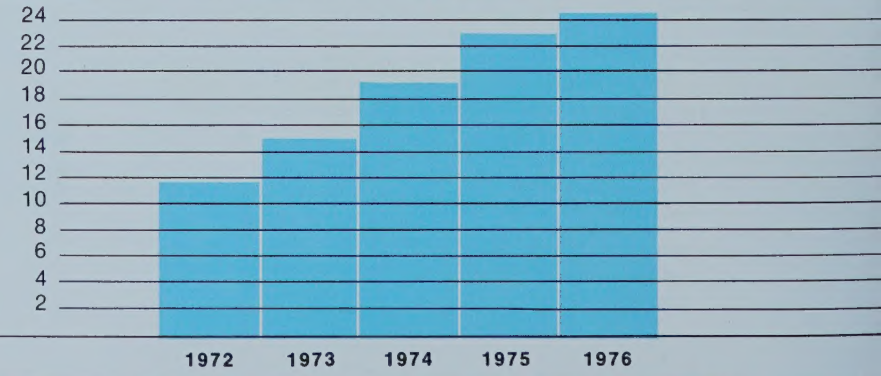
1972	1973	1974	1975	1976
8.77	10.63	11.36	11.02	12.55



Working Capital

(Millions of dollars)

1972	1973	1974	1975	1976
11.910	14.879	18.943	21.295	24.343




Rae Pt.
Resolute
Prudhoe Bay
Inuvik
Fairbanks
Anchorage
CANADA
Edmonton
Calgary
Thunder Bay
Bell Is.
Montreal
Mississauga
Philadelphia
Washington D.C.
UNITED STATES
London
Hassi R'Mel
Tebessa
ALGERIA
Baghdad
Tehran
IRAQ
IRAN
KUWAIT
Computer Leasing
Pipeline Construction
Special Projects
Company Offices
Head Office
Banister's Areas of Activity

Banister Pipelines

Banister Pipelines, one of the largest pipeline construction companies in North America, has exceptional experience and expertise in northern and winter pipeline construction techniques which are widely recognized throughout the industry. Completed winter work includes major pipeline projects in Alaska, the northern portion of the United States, and throughout Canada. Continuously involved in pipeline construction since 1948, Banister Pipelines has, in at least each of the last five years, performed upwards of 25 percent of the large diameter construction work undertaken by the industry in Canada.

The division is best known for the techniques it developed to cope with building pipelines through muskeg areas in the North. Fifteen years ago the conventional method of building pipelines to bring energy from the North allowed for construction during the summer months only. Since these methods were costly many projects were abandoned simply because they were not viable. Taking advantage of the frost penetration in the winter, Banister was instrumental in developing techniques which included roaching to control frost penetration, welding pipe ahead of ditching to save time during the placement procedure and closely coordinated ditching, lowering and backfilling to prevent the surrounding earth from freezing.

The experience gained in the Canadian North encouraged the Company to expand its operation to Alaska in 1966. Since that time, the American pipeline construction subsidiary has used its expertise for construction of projects in muskeg and in terrain requiring numerous ice bridges.

Banister Pipelines Alaska, Incorporated has recently been involved in projects associated with the Alyeska Pipeline Project. In August, 1974, a joint venture in which the company had a 50 percent interest, was awarded a contract for the double jointing of more than 625 miles of 48-inch pipe for the trans-Alaska

project. The double jointing facilities, where two 40-foot pipe sections were welded together end to end, were located at Fairbanks and Valdez. The job was successfully completed on schedule in August, 1975. As a result of recent questions regarding radiographic and welding irregularities on portions of the Alyeska Pipeline Project, x-rays of all of the more than 41,000 welds done on this project were rechecked and no problems exist concerning them. Other Alaskan activities have been referred to in the President's letter.

Because of its expertise in coping with the problems arising from Northern and winter construction, Banister has been called upon to conduct special studies relating to the movement of hydrocarbon energy out of the Arctic. The company has constructed test facilities at Inuvik, Northwest Territories, for a group of oil companies and at San Sault Rapids, Northwest Territories, for a group of gas transmission companies. Banister was later employed by both study groups to perform extensive evaluation of construction methods and costs for the proposed major pipeline systems out of the Arctic.

Research and development of specialized equipment has been an integral part of the development of Banister's cold weather construction expertise. Experience has demonstrated a need for new machines or suitable modifications to equipment currently available from manufacturers.

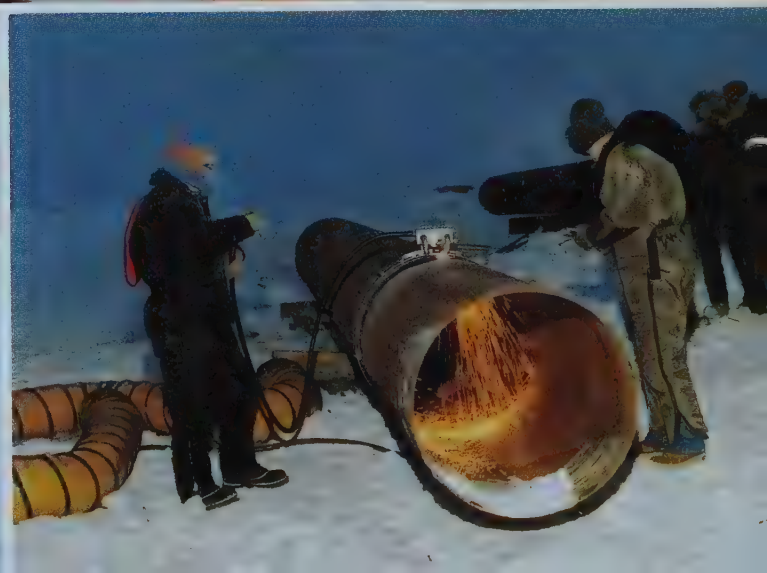
Photos on left from top:

Wrapping crew negotiates a sidebend near Toronto, Ontario on Interprovincial Pipe Line Limited's Sarnia, Ontario, to Montreal, Quebec, extension in 1975.

Another weld completed for the Company's client — The Alberta Gas Trunk Line Company Limited.

The bending crew completes a bend on an 80-foot joint of 24-inch pipe for The Alberta Gas Trunk Line Company Limited in southern Alberta.

The photo shows the existing line being taken up, and heavier-walled replacement pipe strung along the right-of-way, in a project for TransCanada PipeLines.



On page 31 of this report, we show a photograph of a ditching machine designed and built by Banister, capable of excavating a ditch approximately seven feet wide and ten feet deep. Built in 1971, and based on a model previously constructed by the company, the ditcher is designed to excavate frozen soils such as might be encountered in the construction of large diameter pipelines in permafrost regions. Labelled the "Banister 710", it has been extensively tested at sites near Edmonton, Alberta, and Churchill, Manitoba, in material resembling Arctic conditions. Attention is now being focused on tooth configuration and design. The constant testing, modification and refinement of the ditcher continues to ensure its readiness for the projects anticipated out of the Arctic. The company has just commenced a detailed study to investigate the commercial exploitation of these ditchers.

In addition to the construction of new pipelines, Banister has an established record of experience related to pressure testing and rerating services. Rerating involves the replacement of damaged pipe as well as pipe and appurtenances of designs which limit the operating pressures of pipelines. Replacements are made, the line pressure tested, then cleaned and sandblasted to qualify for higher operating pressures and to improve flow characteristics.

Development of new and unique construction techniques and specialized equipment to improve performance efficiencies is an ongoing effort. The company relies heavily on project planning and the establishment of effective project control systems to best serve the pipeline owner from project conception to completion.

Banister Pipelines has proven its performance on some of the most demanding and complex projects undertaken in the North American pipeline construction industry. Perusal of the table on this page, outlining work completed, indicates that Banister is well prepared to participate in the development and construction of pipelines in the years ahead.

While much of the major work related to various proposed Arctic pipeline systems and projects associated with slurry pipelines and petrochemical plant development is not expected to materialize in fiscal 1977, Banister personnel will continue to monitor these projects to ensure that the company will be in a position to play a major role in their future construction.

SUMMARY OF WORK COMPLETED

8,064 Miles of mainline constructed
1,996 Miles of winter work
1,601 Miles of distribution systems
1,718 Miles of gathering systems and flow lines
82 Major river crossings
More than 1,100 pieces of equipment in locations ranging from British Columbia to Quebec.

Photos on left from top:

This environmental shelter at Prudhoe Bay was designed and built by Banister crews to facilitate welding operations in the harsh winter environment where temperatures have, at times, dropped to -58° F.

A scene typical of any winter project except that the specifications for the pipeline built at Prudhoe Bay called for above-ground installation. Pipeline systems cannot be buried in the conventional manner due to the delicate nature of the permafrost soils found in the Prudhoe Bay area.

The hostile winter environment is well typified in this photo.

All photos on this page were taken at the Prudhoe Bay job site. Banister is installing the gathering system for The Ralph M. Parsons Company, acting as construction manager on behalf of Atlantic Richfield Company.


CATERPILLAR

Banister-Price International, Inc.

Banister's international operations are carried out by Banister-Price International, Inc., a 50 percent owned company formed in January, 1975, by Banister Continental Ltd. and H. C. Price Co. of Bartlesville, Oklahoma, for the construction of pipelines in all areas of the world except North America and Algeria. This new company acquired certain pipeline construction machinery and equipment from Neill-Price International, Inc., (which was the construction arm of the H. C. Price Co. in the Middle East for the past eleven years). Many of the key project managers, executives and supervisory personnel remained with the newly-formed company, thus providing a solid base for present and future operations in the Middle East and elsewhere.

Banister-Price construction activities are often broader in scope than those of the Company's North American operations, as Banister-Price may be called upon to procure material, including pipe, start up operation of the pipelines it completes, prove the performance capability of such lines and train nationals to operate the completed line. If called for, the company also constructs compressor and pumping stations.

During calendar 1975, the company substantially completed several projects in Iraq and is underway on another major project which is discussed in the President's letter.

Pipeline construction prospects continue to develop in the oil producing countries of the Middle East and should produce additional opportunities for Banister-Price. Many of the oil producing countries are now stressing the proper utilization of their natural gas resources. If this trend continues, construction of a number of large gas pipeline projects can be anticipated over the next several years.

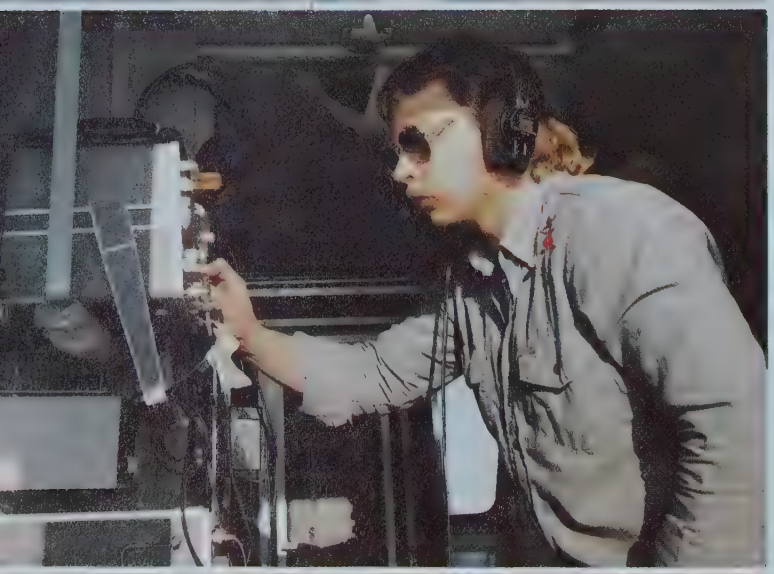
Banister-Price, with its skilled, experienced personnel and specialized construction equipment in the Middle East, should be in a good position to capitalize upon the opportunities available in this economically dynamic area.

Photos on left from top:

Buffing crew preparing bevels to "polished bright metal" prior to welding as required by the specifications on the 28-inch ELF-Irak project completed by Banister-Price crews during 1975.

Pipe gang working on the ELF-Irak 28-inch crude oil pipeline near Fao, the southern terminus of the project. The yard coated pipe is laid ahead of the trenching operation due to extremely unstable soil conditions. The elevation at the point where the photo was taken is about 10 feet above sea level and the water table is only inches under the surface. Any trench left open more than a few hours would possibly collapse, so the pipe was immediately lowered into it when ready.

Photo shows Banister-Price Iraqi personnel hand coating and wrapping a joint after welding on a tie-in has been completed. Always a warm job with the hot enamel reaching 520° F in the kettles, the warmth is compounded by the 130° F days often encountered in mid-summer in southern Iraq.



Banister Technical Services

A creative, research oriented division, Banister Technical Services is headquartered in Edmonton, Alberta. Initially its activities were centered around Arctic marine surveys performed directly from the top of sea ice, but an advanced proprietary technology and theory have allowed the division to improve on standard marine soundings to produce a cleaner and more informative return signal.

Banister Technical Services offers a unique shallow seismic survey system in that it has the ability to go beyond conventional identification of sediment layers to identify subtle differences in material properties. It has developed a system of specialized equipment and techniques that can send an acoustic signal through the Arctic ice to determine depth of water and bottom profiles, and obtains data to identify types and characteristics of the sub-bottom soils, reducing the need for field coring.

In April, 1975, a joint program was undertaken with Geological Survey of Canada to field test this system. Performed near Tuktoyaktuk, Northwest Territories, and at specific locations where cores were previously taken, Banister's test results, when compared to the known soil cores, show that the system is accurate in identifying sub-bottom materials thus reducing the necessity of a costly and detailed core analysis.

The division is capable of providing a complete package of standard marine or Arctic surveys including logistical support and mobile computerized facilities to provide preliminary bathymetry in the field as well as final processed data at its Edmonton center.

Photos on left from top:

This Arctic survey unit is a floatation vehicle that has been highly modified by Banister Technical Services for Canadian Hydrographic Surveys of Canada for the through-ice acquisition of bathymetry and sub-bottom data. The sensors couple with the ice by penetrating the snow cover, thus eliminating right-of-way preparation.

A quick adjustment is made on the scope to check the validity of the bathymetry data before it is recorded on both magnetic tape and graphic recorder. The information is then transmitted to the Edmonton center for computer processing.

Through-the-ice data acquisition is controlled by modern electronics to combine navigation with bathymetry data. Here the recorder provides the same graphic display as in standard marine surveys.

Photos on right from top:

A typical view of old mine workings before conversion to an underground storage facility.

The only visible surface installation for the storage of 31.5 million barrels of diesel fuel stored in a disused iron mine several hundred feet beneath the surface at May-sur-Orne, near Caen, France.

One advantage to underground storage is that land which normally would be used for aboveground facilities may be retained in its natural state.

These photos were taken on Geostock projects in France.

Mined Storage Limited/ Geostorage, Inc.

Banister will shortly have two 50 percent owned underground storage affiliates: Mined Storage Limited which is now operating in Canada, and the newly-formed Geostorage, Inc. for operations in the United States. Banister's partner, Société Française de Stockage Geologique (GEOSTOCK) is a common subsidiary of Shell Française, Société Française des Petroles BP, Compagnie Française de Raffinage (Total) and Elf Union, and possesses the pooled underground hydrocarbon storage expertise of its parents together with its own technology and expertise gained through developing and operating underground hydrocarbon storage facilities in Europe over the last 11 years. The objective of Mined Storage Limited and Geostorage, Inc. is to market underground storage technology in North America with an emphasis towards ownership and operation of these facilities.

Generally, storage facilities can be created in three ways:

1. The leaching technique creates storage cavities in rock salt or other soluable materials by controlled leaching with fresh or sea water. The product stored replaces the brine. At the appropriate time, the product is removed by reinjecting the brine thus displacing the product.

Since salt is chemically inert with a large number of products, particularly hydrocarbons, numerous storage applications are feasible using this method.

2. Mined caverns are created using conventional mining techniques. Mined caverns must be located sufficiently beneath the water table to ensure that the hydrostatic pressure in the rock is always greater than the escape pressure of the contained hydrocarbon. When this condition exists, water will always weep into the cavity through any joints, faults or cracks in the wall rock and it is impossible for the hydrocarbon to escape. Since most hydrocarbons are largely immiscible with water and float on its surface, it is a relatively simple matter to pump out excess ground water for surface treatment.

3. Another method of creating underground storage facilities is through the conversion of existing mines which is the method presently being investigated on Bell Island, Newfoundland, and discussed in the President's report. The principle is similar to that of mining caverns, but the cost of development is less since the cavity already exists. Special studies must be conducted to ensure the rock is chemically compatible with the product to be stored, that the cavern is at a suitable depth, and to guarantee the long term stability of the cavern.

Large underground storage facilities are often much cheaper to build and operate than conventional above-ground storage tanks. Other advantages include less ecological damage, greater security of the stored product, and the retention of land in its natural state. Underground facilities are also attractive due to their resistance to sabotage, reduced fire risk and the productive uses of the excavated rock for aggregate, fill and other purposes.

Continental Computer Associates (New York), Incorporated

The Company's computer leasing subsidairy located in Pennsylvania has a portfolio consisting of computers built by IBM including System/360's, a System/370 computer and related peripheral equipment manufactured by major United States hardware manufacturers. The original cost of the equipment owned is approximately $33,000,000, against which approximately $26,000,000 in depreciation has been charged.

The company's equipment is located in 23 states and is generally leased on terms from twelve to sixty months at rates of up to 50 percent below rates charged by computer manufacturers. Most of the leases are with medium to large size corporations.

All of the company's computer leasing customers are able to obtain maintenance and software services on the same basis as if the equipment had been purchased or leased directly from IBM.

The last fiscal period has seen the company reappraise its efforts in order to meet the challenge implicit in the ever-changing computer industry. As a result of a reorganization of the company, efficiencies have been effected, the initial favourable impact of which will be reflected in fiscal 1977 results.

Photos on left:

Philadelphia Life Insurance Company, a major Philadelphia insurance company, leases most of its computer equipment from Continental Computer Associates.

Monenco Banister Consultants Limited

The ownership of this entity formed in January, 1975, is shared equally by Banister Continental Ltd. and Monenco Limited, parent of Montreal Engineering Company Limited. Monenco Banister Consultants, which grew out of a previous joint venture project between Banister and Monenco, combines the expertise of two companies resulting in a firm whose worldwide potential in the field of pipeline engineering and construction management is unlimited.

The new personnel who have been recruited to manage the company have many years' experience in the industry and provide the foundation for the company's future growth. In addition, the shareholders can be called upon to provide support services in all disciplines of pipeline engineering and construction, which gives the company the resources for undertaking any work on major pipeline projects.

During its first year of operation, Monenco Banister's main activity has been on the Polar Gas Project, a proposed large diameter pipeline from the Canadian Arctic Islands for the transportation of gas to Canadian and United States markets. The company has been involved mainly with construction logistics, engineering, research, and assisting in the preparation of the Polar Gas application to the National Energy Board which should be submitted some time in 1977. Other activities of the company have been discussed in the President's report.

Monenco Banister's initial primary concern is to establish a strong Canadian base which can export expertise worldwide and to that end maintains an office in Montreal, Quebec and a new office in Calgary, Alberta.

Photos on left from top:

R.F. Shaw, President, and W.L. Kennedy, Jr., Vice President and General Manager. Their extensive experience has proven vital to the successful growth of a new company.

Engineering and drafting personnel.

Consolidated Financial Statements

Auditors' Report

To The Shareholders of Banister Continental Ltd.:

We have examined the accompanying consolidated balance sheet of Banister Continental Ltd. as at March 31, 1976, and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have previously made a similar examination of the financial statements for the prior year.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at March 31, 1976 and 1975 and the results of their operations and changes in their financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change in accounting for joint ventures, with which we concur, explained in Note 1 to the financial statements.

Arthur Young, Clarkson, Gordon & Co.

Chartered Accountants
EDMONTON, Canada

May 17, 1976

Summary of Accounting Policies

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries and its pro rata share of assets, liabilities, revenues and expenses of incorporated and unincorporated joint ventures. Note 1 to the financial statements describes the change in the method of accounting for joint ventures in fiscal 1976.

Translation of foreign currencies

The accounts of the Company's foreign subsidiaries and joint ventures have been translated into Canadian dollars based on (1) the year-end exchange rate for cash and amounts receivable and payable; (2) exchange rates in effect at the time of the transaction for other assets and liabilities; and (3) exchange rates prevailing during the years for revenues and expenses, except for depreciation and amortization which have been translated at rates pertaining to the related assets.

All translation gains or losses are included in income. (Loss in 1976 — $82,000; gain in 1975 — $70,000). In prior periods, the Company had followed a policy of deferring unrealized translation gains, except to the extent that they offset previously recognized losses. This change has no effect on the financial statements for 1976 or 1975.

Revenues

Revenues from pipeline construction are reflected in income on the basis of percentage of completion of individual contracts. On contracts in progress, net unbilled revenues are included in accounts receivable.

Computer leases are accounted for under the operating method, whereby the rental income is recognized ratably over the terms of the leases.

Fixed assets

Construction equipment is depreciated on the straight-line method at rates from 10% to 50% after recognition of a salvage value ranging up to 30%. Depreciation of computer equipment is explained in Note 2. Maintenance and repairs are charged to expense.

Excess of cost over net assets at acquisition

Excess of cost over net assets at acquisition, which resulted from the 1969 purchase of the Banister pipeline operations, is not being amortized since the Company does not believe there is any diminution of value.

Income taxes

Deferred income taxes result from timing differences between financial and tax reporting principally relating to recognition of construction revenues and accelerated depreciation. That portion of deferred income taxes which relates to amounts included in current assets and liabilities is shown as a current asset or current liability.

It is the Company's intention to reinvest indefinitely the unremitted earnings of its foreign operations and, therefore, income taxes have not been provided on undistributed earnings. Undistributed earnings of these operations amounted to approximately $5,400,000 at March 31, 1976.

Investment tax credits are applied when allowable as a reduction of United States Federal income taxes as the qualifying assets are placed into service.

Earnings (loss) per share

Basic earnings (loss) per share were computed by dividing net income (loss) by the weighted average number of common shares outstanding during each year.

Fully diluted earnings per share in fiscal 1976 were determined on the assumption that the convertible debenture was converted at the beginning of the year, and net income adjusted for the interest (net of tax) plus imputed interest (net of tax) on the proceeds which would have been received on the exercise of outstanding stock options. For fiscal 1975, fully diluted loss per share is the same as basic loss per share as the effect of conversions and exercises would be anti-dilutive.

Earnings (loss) per share have been computed in accordance with generally accepted accounting principles applicable in Canada. Earnings (loss) per share computed in this manner for fiscal 1976 and 1975 are substantially the same as those which would have resulted had the computation been made in accordance with principles applicable in the United States.

Banister Continental Ltd.

Consolidated Statement of Income and Retained Earnings

Years Ended March 31, 1976 and 1975
(Stated in Canadian Dollars)

	1976	1975
Revenues:		
Pipeline construction, services and computer rentals	**$78,589,000**	$30,630,000
Interest and other income	**1,945,000**	1,862,000
	80,534,000	32,492,000
Expenses:		
Operating	**56,266,000**	22,284,000
Depreciation	**6,486,000**	8,164,000
Interest and amortization of deferred charges	**266,000**	252,000
Selling, administrative and general	**6,511,000**	3,458,000
	69,529,000	34,158,000
Income (loss) before income taxes and extraordinary item	**11,005,000**	(1,666,000)
Income taxes (Note 4)	**5,068,000**	(289,000)
Income (loss) before extraordinary item	**5,937,000**	(1,377,000)
Utilization of tax loss carry forwards from prior years	**221,000**	
Net income (loss)	**6,158,000**	(1,377,000)
Retained earnings, beginning of year	**14,100,000**	15,477,000
Retained earnings, end of year	**$20,258,000**	$14,100,000
Earnings (loss) per share:		
Earnings (loss) per share before extraordinary item:		
Basic	**$ 1.47**	$ (.34)
Fully diluted	**$ 1.42**	$ (.34)
Net earnings (loss):		
Basic	**$ 1.53**	$ (.34)
Fully diluted	**$ 1.48**	$ (.34)

(See accompanying notes and summary of accounting policies)

Consolidated Balance Sheet

March 31, 1976 and 1975
(Stated in Canadian Dollars)

Assets	1976	1975
Current assets:		
Cash and short-term deposits	$27,080,000	$17,113,000
Receivables	14,265,000	7,118,000
Recoverable income taxes		1,188,000
Deferred contract costs	2,023,000	873,000
Other current assets	632,000	484,000
Total current assets	44,000,000	26,776,000
Fixed assets, at cost less accumulated depreciation (Notes 2 and 3)	24,819,000	22,335,000
Excess of cost over net assets at acquisition	6,938,000	6,938,000
Other assets	786,000	359,000
	$76,543,000	$56,408,000

Liabilities and Shareholders' Equity	1976	1975
Current liabilities:		
Bank loans	$ 68,000	$ 80,000
Accounts payable and accrued liabilities	9,500,000	3,831,000
Estimated taxes on income	4,390,000	74,000
Deferred income taxes	1,381,000	968,000
Advances on contracts	3,804,000	
Current instalments of long-term debt (Note 5)	514,000	528,000
Total current liabilities	19,657,000	5,481,000
Long-term notes payable (Note 5)	492,000	1,022,000
Subordinated convertible debenture (Note 5)	2,288,000	2,325,000
Deferred income taxes	3,549,000	3,181,000
Total liabilities	25,986,000	12,009,000
Shareholders' equity (Notes 5, 6 and 11):		
Common shares without nominal or par value — 20,000,000 shares authorized 4,029,582 shares issued	27,059,000	27,059,000
Contributed surplus	3,240,000	3,240,000
Retained earnings	20,258,000	14,100,000
Total shareholders' equity	50,557,000	44,399,000
	$76,543,000	$56,408,000

(See accompanying notes and summary of accounting policies)

On behalf of the Board:

Director

Director

Banister Continental Ltd.

Consolidated Statement of Changes in Financial Position

Years Ended March 31, 1976 and 1975
(Stated in Canadian Dollars)

	1976	1975
Working Capital provided by:		
Operations —		
Income (loss) before extraordinary item	**$ 5,937,000**	$ (1,377,000)
Add (deduct) non-working capital items:		
Depreciation and amortization	**6,530,000**	8,198,000
Deferred income taxes	**368,000**	(614,000)
Gain on sale of fixed assets	**(277,000)**	(30,000)
Total provided from operations	**12,558,000**	6,177,000
Utilization of tax loss carry forwards from prior years	**221,000**	
Proceeds from sale of fixed assets	**1,099,000**	1,693,000
Other — net		134,000
	13,878,000	8,004,000
Working capital used for:		
Additions to fixed assets	**9,803,000**	5,227,000
Reduction in long-term notes payable	**567,000**	425,000
Other — net	**421,000**	
	10,791,000	5,652,000
Increase in working capital	**$ 3,087,000**	$ 2,352,000
Increases (decreases) in working capital by component:		
Cash and short-term deposits	**$10,006,000**	$ (1,340,000)
Receivables	**7,147,000**	3,689,000
Recoverable income taxes	**(1,188,000)**	693,000
Deferred contract costs	**1,150,000**	873,000
Other current assets	**148,000**	(1,000)
Bank loans	**12,000**	(80,000)
Accounts payable and accrued liabilities	**(5,669,000)**	(841,000)
Estimated taxes on income	**(4,316,000)**	(52,000)
Deferred income taxes	**(413,000)**	(573,000)
Advances on contracts	**(3,804,000)**	
Current instalments of long-term debt	**14,000**	(16,000)
Increase in working capital	**$ 3,087,000**	$ 2,352,000

(See accompanying notes and summary of accounting policies)

Notes to Consolidated Financial Statements

March 31, 1976 and 1975
(Stated in Canadian Dollars)

1. Accounting For Joint Ventures

The Company has investments in and advances to several joint ventures ranging up to 85% of equity participation. Beginning in fiscal 1975, the Company has participated in these joint ventures in an effort to spread present day business risks and to make available to the Company increased capital and technological resources. To better reflect the increasing scope of the operations conducted through joint ventures, the Company changed its accounting method in 1976 from the equity method which was previously followed to the proportionate consolidation method. This change in accounting method has been given retroactive effect and the 1975 comparative figures have been restated. Net income and shareholders' equity are the same under both methods.

Under the equity method, advances, capital investment and pro rata share of the joint venture net income (loss) are recorded as single figures on the balance sheet and the income statement.

Under proportionate consolidation, the Company's pro rata share of the joint ventures' assets, liabilities, revenues and expenses are included in the consolidated financial statements. It is the opinion of management that this presentation better reflects the economic activities and the substance of the Company's operations.

The Company's pro rata share of the joint venture operations included in the consolidated financial statements (which also represents the effect of the change in the method of accounting for joint ventures before elimination of transactions between the Company and the joint ventures) is summarized below:

Statement of Income

	1976	1975
Revenues	**$42,416,000**	$ 5,377,000
Expenses:		
Operating	**32,109,000**	4,572,000
Depreciation	**1,180,000**	
Interest	**313,000**	
Selling, administrative and general	**1,835,000**	165,000
	35,437,000	4,737,000
Income before income taxes	**6,979,000**	640,000
Income taxes	**1,712,000**	
Net income	**$ 5,267,000**	$ 640,000

Balance Sheet

Assets:		
Current assets:		
Cash and short-term deposits	**$ 2,485,000**	$ 127,000
Receivables	**8,176,000**	2,308,000
Deferred contract costs	**2,023,000**	873,000
Other current assets	**109,000**	4,000
Total current assets:	**12,793,000**	3,312,000
Fixed assets, at cost less accumulated depreciation	**5,498,000**	23,000
Other assets	**134,000**	
	$18,425,000	$ 3,335,000
Liabilities and owners' equity:		
Current liabilities:		
Bank loan	**$ 68,000**	$ 80,000
Accounts payable and accrued liabilities	**4,273,000**	1,200,000
Estimated taxes on income	**1,810,000**	
Advances on contracts	**3,804,000**	
Total current liabilities	**9,955,000**	1,280,000
Owners' equity	**8,470,000**	2,055,000
	$18,425,000	$ 3,335,000

Statement of Changes in Financial Position

Working capital provided by:	1976	1975
Operations:		
Net income	**$ 5,267,000**	$ 640,000
Add non-working capital items	**1,175,000**	
Total provided from operations	**6,442,000**	640,000
Proceeds from sale of fixed assets	**57,000**	
Advances from joint venturer	**1,126,000**	1,415,000
	7,625,000	2,055,000
Working capital used for:		
Additions to fixed assets	**6,707,000**	23,000
Other	**112,000**	
	6,819,000	23,000
Increase in working capital	**$ 806,000**	$ 2,032,000

Notes to Consolidated Financial Statements

March 31, 1976 and 1975
(Stated in Canadian Dollars)

1. Accounting for Joint Ventures (continued)

(a) A significant portion of the Company's joint venture operations were conducted outside of North America in 1976.

(b) Transactions between the joint ventures and the Company have been eliminated in the consolidated financial statements; gross amounts are reflected above.

(c) Income taxes applicable to unincorporated joint ventures are imposed directly on the venturer, and are included in the consolidated statement of income.

(d) During the year, Banister-Price International, Inc., a corporate joint venture owned 50% by the Company, acquired certain assets of Neill-Price International, Inc. for a cash consideration of $8,066,000 of which the Company's pro rata share was $4,033,000. This comprised fixed assets of $3,230,000 and other assets of $803,000.

The Company's pro rata share of operations of the joint venture from commencement of operations to the end of its fiscal year is included in the consolidated statement of income.

2. Computer Leasing Operations

At March 31, 1976 the computer equipment consisted of 70 IBM computer systems, including 66 System/360 computers, one System/370 computer, three other systems, and related peripheral equipment acquired for lease to users. The undepreciated balance (net book value) of such equipment was $7,386,000 at March 31, 1976.

The lease portfolio is comprised of leases with terms ranging from 12 to 60 months and leases on month-to-month renewal. At March 31, 1976, the non-cancellable portions of existing leases provide for future rentals aggregating $5,076,000, 57% during fiscal 1977, 27% during fiscal 1978 and 16% in later periods. Although the company has leased certain systems under which rentals receivable during the non-cancellable portion of the lease period exceed its investment in the related equipment, in the aggregate the non-cancellable unexpired portions of the leases are for less than the remaining estimated useful life of the equipment and provide for payment of less than the undepreciated cost; therefore, the Company's ability to recover its entire investment and make a profit thereon will be dependent upon its ability to successfully extend present leases and remarket equipment at adequate rental rates, or to sell or otherwise utilize the equipment on adequate terms.

While the Company anticipates declines in rental rates and extended off-lease periods in the future, it is of the opinion, based on facts presently known, that it will be able to recover its remaining undepreciated portfolio cost from future rentals (net of future expenses).

The Company performs periodic reviews to ascertain the future economic value of its equipment. For its System/360 computers and related peripheral equipment, depreciation has been provided based on the relationship of estimated annual revenues to total estimated revenues through March 31, 1978 and after recognition of a salvage value of approximately 5% ($1,644,000). Based on the current projections, no significant profits will be realized through March 31, 1978, since estimated revenues are approximately equal to estimated depreciation and estimated operating expenses during this period.

For its System/370 computer equipment, related peripherals and other equipment, depreciation has been provided based on the relationship of estimated annual revenues to estimated total revenues over the remaining service lives of the equipment (3 to 5 years) after recognition of salvage values and lessee purchase options of approximately $300,000.

3. Fixed Assets

Fixed assets and related accumulated depreciation (in thousands) are as follows:

	Cost	Accumulated Depreciation	Net Book Value	
	1976	1976	1976	1975
Construction equipment	$24,959	$ 8,488	$16,471	$10,706
Computer equipment	32,987	25,601	7,386	10,914
Other	1,320	358	962	715
	$59,266	$34,447	$24,819	$22,335

4. Income taxes

Components of the provision (credit) for income tax are as follows:

	1976	1975
Current:		
Canadian —		
Federal	$ 937,000	$ (219,000)
Provincial	252,000	(82,000)
Foreign —		
Federal	3,063,000	119,000
State and local	439,000	52,000
	4,691,000	(130,000)
Deferred:		
Canadian —		
Federal	237,000	502,000
Provincial	68,000	144,000
Foreign —		
Federal	93,000	(861,000)
State and local	(21,000)	56,000
	377,000	(159,000)
	$5,068,000	$(289,000)

The effective income tax rate for 1976 of 46.1% differs from the statutory Canadian Federal tax rate of 47.2% as a result of certain foreign income being tax exempt, certain expenses that could not be utilized for tax purposes, and Provincial, State and local income taxes in excess of credits or benefits allowable against Federal taxes. The recovery for 1975 at an effective rate of 17.3% differs from the applicable 51.2% statutory Canadian Federal tax rate principally as a result of operating losses available for carry-forward for which tax benefit had not been recognized, Provincial, State and local income taxes in excess of credits or benefits allowable against Federal taxes, and tax rate differentials relating to the use of tax loss carrybacks in certain jurisdictions.

5. Long-term notes payable and subordinated convertible debenture

Long-term notes payable consist of the following:

	1976	1975
7½% U.S. dollar promissory notes due in equal instalments, fiscal 1975 - 1978.	$ 984,000	$1,500,000
7¾% mortgage due 1977	22,000	50,000
	1,006,000	1,550,000
Less current instalments	514,000	528,000
	$ 492,000	$1,022,000

The 5½% U.S. dollar subordinated convertible debenture, which matures in 1988, is convertible (at U.S. $12.19 per share) into 190,730 shares of common stock and requires annual sinking fund payments of U.S. $233,000 from fiscal years 1980 through 1988. Such payments may be reduced at the Company's option by the principal amount of any conversions.

At March 31, 1976, aggregate debt repayment requirements were: 1977 — $514,000; 1978 — $492,000; 1980 — $229,000; 1981 — $229,000; subsequently — $1,830,000.

Subsequent to March 31, 1976, a subsidiary of the Company entered into a term loan agreement with its bankers to borrow up to U.S. $4,000,000 by July 31, 1976. The agreement is unconditionally guaranteed by the Company.

6. Stock options

The Company has stock option plans under which options may be granted to officers and other key employees. Options under two of the plans are exercisable as to 50% of the shares one year after the date of grant, as to the remaining 50% two years after the date of grant and expire three years after the date of grant. Under a third plan options become exercisable as prescribed by the stock option committee except that no option may become exercisable as to any shares until the expiration of at least one year from the date on which the option was granted and all options shall terminate no later than five years after the date on which they were granted. Options which have been granted under this plan become exercisable in four equal cumulative annual instalments beginning one year after the date of grant and expire five years after the date of grant. Options may not be granted at a price less than the fair market value of the Company's common shares on the date of the grant of such options.

Options for 5,000 shares at prices of $27.50 and $27.69 per share were outstanding at March 31, 1976, of which options for 2,500 shares were exercisable. There were no options granted or exercised during fiscal 1976. Options for 4,750 shares expired during the year. At March 31, 1976, 98,185 shares were available for future option grants and 103,185 shares were reserved for issuance upon exercise of stock options.

7. Long-term leases

The Company leases certain administrative facilities and equipment and construction equipment. Total rental expense amounted to $2,731,000 and $1,489,000 for fiscal years 1976 and 1975 respectively, of which $613,000 and $293,000 respectively, was incurred under various leasing arrangements based on usage of construction equipment.

Construction equipment is generally leased for periods of less than one year. Minimum rental commitments under non-cancellable leases in effect at March 31, 1976 for administrative facilities and equipment aggregate approximately $182,000 for fiscal 1977, declining to approximately $5,000 in fiscal 1980.

The Company had no non-capitalized financing leases.

8. Remuneration of Directors and Senior Officers

The aggregate direct remuneration of directors and senior officers including the five highest paid employees was $681,000 (a total of 18 persons) for fiscal 1976 and $421,000 (a total of 16 persons) for fiscal 1975.

9. Retirement plan costs

The Company and its subsidiaries maintain retirement plans covering all full-time employees. The Company's policy is to fund retirement costs as accrued. The costs of the retirement plans were approximately $120,000 for 1976 and $100,000 for 1975.

10. Contingencies

One of the Company's consolidated joint ventures is contingently liable under a letter of credit issued by a bank to guarantee performance obligations under a construction contract. The Company's pro rata share of this contingency is approximately $1,200,000.

11. Anti-Inflation Act

Effective October 14, 1975, the Canadian Government passed the Anti-Inflation Act and subsequently issued Regulations which are presently scheduled to be in force until December 31, 1978. Domestic operations of the Company and its Canadian subsidiaries are subject to compliance with this legislation. The effects of the legislation on prices, profit margins and employee compensation are not entirely clear due to uncertainties as to interpretation of the Act and Regulations. It is management's opinion, however, that the Company has complied with the legislation. Under the Anti-Inflation legislation, the amount of dividends that can be paid by the Company is restricted; this restriction, unless extended, will be in force until October 14, 1976.

Market for Common Shares

The common shares of Banister Continental Ltd. are traded on the American Stock Exchange in the United States and the Toronto and Montreal Stock Exchanges in Canada. Following is a schedule of high and low share prices on the American Stock Exchange by quarter, for the fiscal years ending March 31, 1976 and 1975.

	Year Ending March 31			
	1976		1975	
	High	Low	High	Low
Quarter ending:				
June 30	10⅜	5¼	17¼	5½
September 30	9¾	5⅞	7⅛	4⅜
December 31	7¾	5⅝	7¼	3⅞
March 31	10⅛	6¼	7½	4⅜

No dividends have been declared or paid during the past five years on the common shares of the Company.

Management Analysis of the Statement of Income

Fiscal 1976 compared with 1975:

The consolidated results of the Company for fiscal 1976 reflect the continued expansion of pipeline construction and related services outside Canada. Total revenues increased by 148% from fiscal 1975, attributable to the increase in international pipeline operations (102 %), an upswing in pipeline construction in Canada (44 %), and engineering activities (2%).

The pipeline construction and services profit margin increased a net of 6% from fiscal 1975, reflecting improved margins on fixed price pipeline contracts and expanded international pipeline operations partially offset by a low margin on a large cost-plus contract. Computer leasing profit margin, in relation to revenues, increased 1%.

Depreciation expense declined 21% in fiscal 1976; the net decrease resulted from a reduction in the depreciation provided by the computer leasing subsidiary ($3,488,000 in 1976 compared with $6,455,000 in 1975), partially offset by depreciation provided on equipment purchased for use in international pipeline activities. See Note 3 of the notes to the consolidated financial statements for further information concerning depreciation of computer leasing equipment.

Selling, administrative and general expenses increased 88% during fiscal 1976 principally as a result of the expansion in international activities and, to a lesser extent, the expansion of head office support facilities.

The extraordinary item reflects the utilization for tax purposes of prior years' operating losses, principally of the computer leasing subsidiary.

Fiscal 1975 compared with 1974:

Revenues in fiscal 1975 decreased 20% from the prior year. The decrease was attributable to a continuing decline in pipeline construction activity in Canada, a reduction in unit rental rates for IBM System/360 computers and longer periods required to re-lease and remarket computers.

Operating expenses did not decrease in proportion to the decrease in revenues as increasing competition in the Canadian pipeline construction industry and a loss incurred during the latter phases of construction of one of the projects resulted in reduced pipeline construction margins. Depreciation expenses pertaining to the computer portfolio also increased significantly during the year. The computer leasing subsidiary performs periodic reviews of the future economic value of its equipment and, as a result of the projection, which recognized continuing declines in rental rates, longer off-lease periods and higher operating expenses, additional depreciation of $1,939,000 was provided in the fourth quarter of fiscal 1975 for a total of $6,455,000 depreciation on these assets for the year.

Selling, administrative and general expenses increased 12% during fiscal 1975 as a result of the fixed cost component of such expenses, the impact of inflation, and the efforts expended to extend the Company's activities into the international pipeline construction market and other joint ventures.

The income tax recovery was only 17% compared with a normal rate of approximately 50% of the before-tax loss of $1,666,000. This occurred largely from not recognizing for financial statement purposes the benefit of operating loss carry-forwards of the computer leasing subsidiary.

Five Year Summary

For the Years Ended March 31
(Stated in Canadian Dollars)

	1976	1975	1974	1973	1972
Revenues	**$80,534,000**	$32,492,000	$40,623,000	$66,341,000	$48,227,000
Expenses:					
Operating	**56,266,000**	22,284,000	24,606,000	41,808,000	30,187,000
Depreciation	**6,486,000**	8,164,000	6,644,000	5,099,000	4,386,000
Interest and amortization of deferred charges	**266,000**	252,000	350,000	517,000	1,332,000
Selling, administrative and general	**6,511,000**	3,458,000	3,090,000	3,546,000	3,215,000
	69,529,000	34,158,000	34,690,000	50,970,000	39,120,000
Income (loss) before income taxes and extraordinary item	**11,005,000**	(1,666,000)	5,933,000	15,371,000	9,107,000
Income taxes	**5,068,000**	(289,000)	3,091,000	7,692,000	4,657,000
Income (loss) before extraordinary item	**5,937,000**	(1,377,000)	2,842,000	7,679,000	4,450,000
Utilization of tax loss carry forwards from prior years	**221,000**				
Net income (loss)	**$ 6,158,000**	$ (1,377,000)	$ 2,842,000	$ 7,679,000	$ 4,450,000
Earnings (loss) per share:					
Earnings (loss) per share before extraordinary item:					
Basic	**$ 1.47**	$ (.34)	$ .71	$ 1.94	$ 1.38
Fully diluted	**$ 1.42**	$ (.34)	$ .69	$ 1.84	$ 1.13
Net earnings (loss):					
Basic	**$ 1.53**	$ (.34)	$ .71	$ 1.94	$ 1.38
Fully diluted	**$ 1.48**	$ (.34)	$ .69	$ 1.84	$ 1.13
Weighted average common shares outstanding	**4,030,000**	4,030,000	4,014,000	3,954,000	3,209,000
Shareholders' equity	**$50,557,000**	$44,399,000	$45,776,000	$43,080,000	$34,381,000
Preferred dividends					$ 35,000
Lines of business information					
Percent of Revenue:					
Pipeline contracting and services	**94%**	84%	83%	91%	88%
Computer leasing	**6%**	16%	17%	9%	12%
Percent of income (loss) before income taxes and extraordinary item:					
Pipeline contracting and services	**94%**	63%	99%	96%	96%
Computer leasing	**6%**	(163)%	1%	4%	4%

Notes:

a) Earnings (loss) per share for the five years are computed as stated in the summary of accounting policies. Earnings (loss) per share so computed are in accordance with generally accepted accounting principles applicable in Canada. Earnings (loss) per share computed in this manner are substantially the same as those which would have resulted had the computation been made in accordance with the principles applicable in the United States, except that in 1972, basic earnings per share under the United States method were $1.50 compared to $1.38 under the Canadian method, the difference being attributable to the treatment of conversions of convertible debentures into common shares in the determination of the weighted average number of common and common equivalent shares outstanding during the year.

b) Amounts previously reported for fiscal 1975 have been restated to reflect the change in method of accounting for joint ventures as described in Note 1 of the notes to consolidated financial statements, which sets out effect of the change.

Pipeline Construction Outlook

Numerous industry studies indicate a very bright worldwide picture for pipeline construction throughout the late 1970's and 1980's. Construction of massive large diameter gas and oil transmission systems from Arctic regions will in all probability commence before the end of the decade. Prospects for new work in Canada and Alaska in fiscal 1977 do not appear encouraging in terms of big-inch construction.

The magnitude of many of these future projects is so great, whether located in North American frontier regions or elsewhere in the world, that their timing will be limited by the availability of subitable financing, line pipe manufacturing capacity, competent contractors and skilled tradesmen. Some experts take the view that many of these large projects, even those planned for North America, will have to be started sequentially to overcome such restrictions.

Pipeline construction volume in Canada and the United States is forecast to be between 25 and 30 percent greater than the 10,500 miles constructed during 1975. Most of this volume, however, is small diameter gathering and distribution work or short mainline loops with several sizable offshore projects scheduled for the United States Gulf Coast area in which Banister does not compete.

Worldwide construction volume, excluding North America, the Soviet Union and China, is forecast to be up eight percent during 1976 to 13,500 miles. Industry experts predict that on the order of 85,000 miles of pipeline will be constructed in this market over the next five years.

For years the production of North American hydrocarbons complemented by the import of low-cost foreign crude oil provided an effective smoke screen for an alarming increase in the rate of energy consumption and an alarming decrease in the rate of additions to proven reserves of crude oil and natural gas. This smoke screen was shattered by a number of unforeseen events which began with the oil embargo of 1973. Consuming countries around the globe were brought to their knees by supply-cutting actions taken by the OPEC nations. Even the consumers in resource-rich Canada and the United States felt the impact.

After the OPEC supply domino toppled, the next to fall was confidence in domestic crude oil and natural gas reserve estimates. Unfavorable economic factors, due to the involvement of government and environmental agencies, had been discouraging investment in exploratory and development programs. As a result, North Americans were already faced with a critical situation of declining reserves.

During the same period, demand for natural gas, subject to strict regulatory price control, was skyrocketing as the price differentials between it and alternate energy sources widened.

Focus was soon placed, both in Canada and the United States, on the lack of national energy policies. Steps have been slow in achieving the formulation of a meaningful policy.

An informed public must communicate to our national leaders that it is in our best interests to immediately formulate pragmatic national energy policies. Industry must be presented with clear-cut guidelines for future resource development. Such development is needed to alleviate energy shortages which could reach crisis proportions by the early 1980's.

A significant step was taken during 1975 when Canadian and United States negotiating teams initialled a draft pipeline treaty. The treaty has two objectives:

1. To ensure the throughput in our international pipelines so that neither country can arbitrarily cut deliveries of gas or oil to the other.
2. To ensure the nondiscriminatory treatment of gas and oil owned by either nation flowing through pipelines of the other.

Not only would such a treaty ensure the continued successful operation of the 25 existing pipeline crossings of our common border, but it would also help to clear the way for government approval of several sizable projects proposed to transport crude oil and natural gas supplies from Arctic regions to the major consumption centers in Canada and the United States.

More than a half-dozen multi-billion dollar pipeline projects are on the drawing boards related to the movement of Arctic reserves. Several are now being evaluated by the regulatory authorities. Others will file applications within the year.

Thousands of miles of large diameter pipelines will be constructed in future taking the form of new mainline systems in frontier regions and expansions of existing systems. Our governments must decide shortly which projects will be the first to proceed and then encourage construction as quickly as possible if new frontier reserves are to be brought to market before the forecasted crisis of the 1980's.

Banister is, of course, looking to play a major role in the planning and construction of these projects.

The Banister "710" Ditcher

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R. T. Banister	*Chairman and President of the Company*
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Edmonton, Alberta T6H 2K4

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The Canada Trust Company

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Edmonton, Alberta T5J 0P6

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Toronto, Ontario M5C 9Z9

800 Dorchester Blvd. West
Montreal, Quebec H3B 1X9

First National City Bank

111 Wall Street
New York, N.Y. 10022

Common Stock listed on

American Stock Exchange
Montreal Stock Exchange
Toronto Stock Exchange

Auditors

Arthur Young, Clarkson, Gordon & Co.

Annual Meeting

The Company's annual meeting will be held in Edmonton, Alberta, on August 18, 1976.

Copies of the Form 10-K Report to the Securities and Exchange Commission may be obtained by shareholders without charge from the Corporate Secretary, Box 2408, Edmonton, Alberta T5J 2R4

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